The Financial Forecast for the triennium beginning with 1920-21.
(As agreed to in Council).

The statement submitted by the Financial Secretary was considered by the Council. The estimates of revenue under all the heads except (1) Assigned Tract Revenue and (2) Railways - Net receipts, were considered reasonable. The following alterations were directed to be made in the estimates under the last two heads:-

(1) Reduction of the Assigned Tract Revenue from 7 lakhs to 5 lakhs in each year, and

(2) Increase of the annual growth of revenue from Railways from 1½ lakhs to 2 lakhs.

Taking the expenditure in the triennium at the standard of the budget for the current year and the revenue according to the forecast as revised above, the position will be as under:-

	1920-21.	1921-22.	1922-23.
Deficit.	9.31	21.29	23.13

It was considered that it was impossible to maintain the standard of expenditure at a stationery level for three years and that at least the following increases were quite necessary.

	1920-21.	1921-22.	1922-23.	Remarks.
Excise -	50	50	50	For the second instalment of reorganization.
Medical -	100	200	300	For the expansion of Medical Relief at the rate of 1 lak per annum.
Agriculture & Sericulture.	50	100	150	For every necessary improvements & developments at ½ lak each year.
Education.	200	400	600	For giving effect some of the most urgent measures proposed in the Edn. Memorandum at 2 lakhs per annum.
Total	400	750	1100	

A condition of deficit in the triennium is inevitable, and it is chiefly due to the following causes.

(1) The serious reduction in the purchasing power of money and the consequent substantial addition to expenditure on salaries of low-paid servants of all departments and on the purchase of materials of various kinds required for the different departments. The high prices allowance sanctioned for officers on pay not exceeding Rs. 100, alone costs about about 25 lakhs.

(2) The rise in exchange and the consequent reduction in the silver yield of sterling revenues.

(3) The reduction in the revenue of the Assigned Tract from about 10 lakhs to about Rs. 5 lakhs.

As regards the financial policy to be followed there are two courses open, either

(1) to allow the deficit as calculated above to remain until the time when the returns from the large investments in productive works are realized and applied for reducing the deficit, or

(2) to adopt immediate measures for curtailing expenditure for balancing the budget.

The adoption of the second alternative is undesirable as it means a serious set back to administration. The first alternative is the only course open but steps have to be taken to increase the revenue from sources like Land Revenue which are capable of improvement and for effecting all possible economies in expenditure with a view to reduce the deficit as far as possible.